

## THE CONSUMER JUDGEMENT OF THE PRICE OF THE TRADITIONAL FOODS

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### ABSTRACT

Price strategy is a peculiar aspect of the marketing model called Marketing Mix. Pricing related decisions usually constitute the hardest and most sensitive set of decisions that entrepreneurs have to make. The Hungarian consumers' high price sensitivity coupled with a high demand for low-cost products and services indicates the significance of pricing in Hungary. Pricing is crucial in raising interest and winning new customers. Prices might reflect product quality, brand strength and recognition, just like product differentiation or the image of a product or its producer. Consumers of traditional region-specific horticultural and agricultural products are willing to pay a higher price in appreciation of the high quality and special character of these products as this consumer segment tends to assign emotional functions to certain product features instead of solely focusing on the functionality and usefulness of the goods.

Keywords: price setting, pricing strategy, willingness to pay, customer perception

### 1. INTRODUCTION

Throughout history, prices have usually been determined between the sellers and buyers in price negotiations (bargains). Traditionally, consumer decisions and purchase decision making processes largely depend on price. However, non-price factors, e.g. product features, place of origin, communication, have been gaining significance in purchasing decisions over the past decades. Of all the aspects of the Marketing Mix, price is the most flexible one and it is the only one which creates sales revenue (Radnai, 2010). Excessively cost-determined prices or failure to frequently analyse and vet pricing, thus promptly respond to changing conditions on the market are just a few of the most common mistakes, which are, in a broader context, the symptoms of ignoring the importance of treating price as part of the positioning strategy, hence setting a price that does not complement the other elements of the Marketing Mix (Törőcsik, 2007). No single economically or psychologically well based price setting method can be established for traditional and region-specific foodstuffs due to the heterogeneity of the subject product group (Hofmeister-Tóth, 2008).

### 2. MATERIALS and METHODS

#### Materials

Market research: the opinion survey refers to information collection, whereby a small section of a group of numerous individuals or institutions is selected via professional sampling and this selected section is then interviewed.

The primary market research consists of the gathering of original, previously uncollected information and data, whereby the collection is undertaken with a specific purpose. I sought the answer to various questions during recording, therefore each answer can be registered as a variable as they can take varying values within a certain number interval. These are the dependent variables because, depending on the respondents, the result will be different, too.

The questions (variables) remain the same throughout the questionnaire and the interviewees (respondents) are referred to as cases.

## Methods

### *Paired t-test analysis*

For paired t-tests, the same respondents are tested repeatedly, thus test series are conducted on the same respondents and the paired t-test is used to examine the differences. A variable for the differences observable in the pair is created (marked as D) and then the average and variance of this variable is calculated. Subsequently, the t-statistics is established. The degree of freedom is “n-1”, where “n” stands for the even number of the examinations.

### *Pearson's Chi-squared test*

The exact significance test is based on two hypotheses; one is referred to as null hypothesis and the other is as alternative hypothesis.

### *Confidence interval calculation*

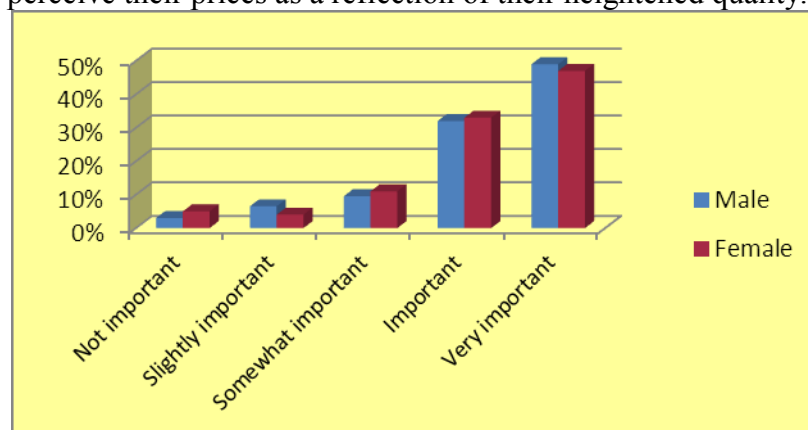
During the evaluation of questionnaires, representing the results simply in percentages is often insufficient or even misleading, given that the resulting differences do not reflect reliably whether the variation is significant or not.

The answers to the particular questions in the examined population helped me identify both the percentage of the positive answers and their confidence-intervals, the latter values revealing the real differences. The calculation of the confidence-intervals is inevitable for the establishment of a reliable conclusion on our hypotheses, especially in cases where the number of sample elements significantly differs.

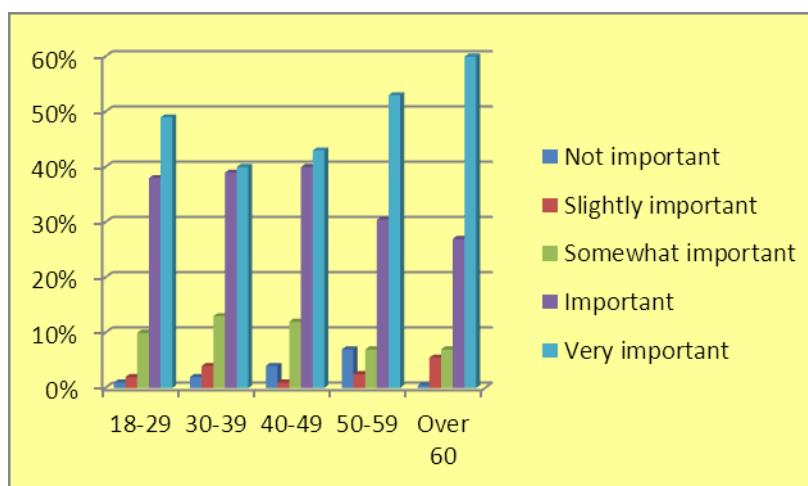
## 3. RESULTS and DISCUSSION

### 3.1. Assessment of the importance of price for traditional region-specific foodstuffs

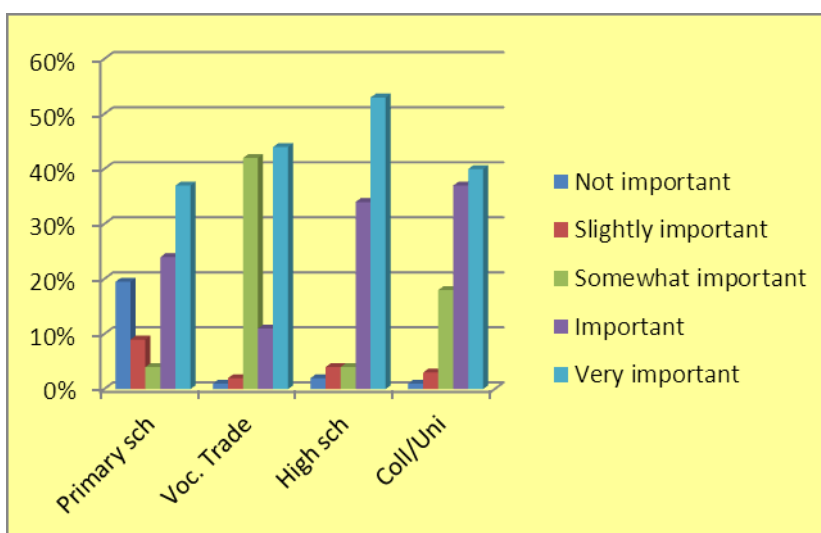
Purchasing decisions are seldom resolute; consumers are exposed to a certain level of risk in the purchase decision making process (Kőszegi, 2013). The perception of the risk depends on the consumers' personality, the nature of the product or service and predominantly on the price. Our research investigates the consumers' perception of the price of traditional region-specific foodstuffs. The respondents have been segmented on the basis of their sex (Fig.1), age (Fig. 2) and educational attainment (Fig. 3) in order to examine whether the different segments respond differently. Price obviously plays a key role in the purchase decision making processes; and as the products in the focus of our research are special quality ones, many consumers perceive their prices as a reflection of their heightened quality.



**Figure 1** Assessment of the importance of price by gender



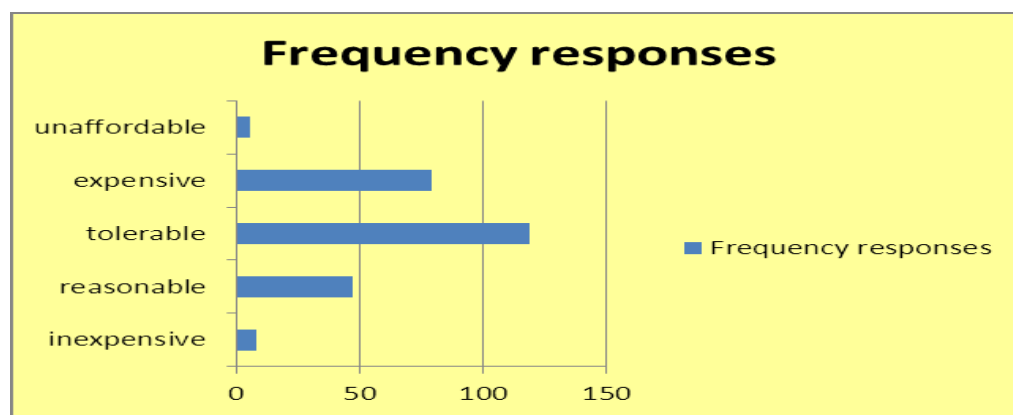
**Figure 2** Assessment of the importance of price by age group



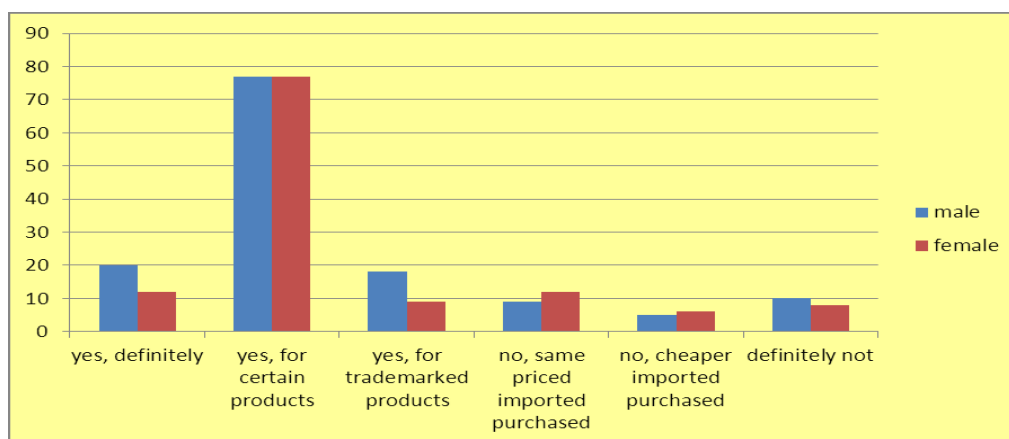
**Figure 3** Assessment of the importance of price by educational attainment

The findings of our research are on the system of values and preferences that seem to determine foodstuff purchases. Apparently, the influential factors for female customers are the price and product mix, whereas male customers seem to primarily focus on the producer; however, members of both sexes mainly find the price „tolerable”.

Willingness to pay extra for Hungarian foodstuffs. The research examines and assesses the willingness to pay extra for Hungarian products. Seven mathematical and statistical analysis methods have been deployed to evaluate the responses (Fig. 4 and Fig. 5). Generally, the respondents are willing to pay extra solely for certain products and Hungarian foodstuffs that are perceived as prestige goods constitute such exceptions. There might be a correlation here with the fact that the main target group of these Hungarian products is customers who are more affluent than the average Hungarian consumers.



**Figure 4** Assessment of the price of Hungarian foodstuffs



**Figure 5** Willingness to pay extra for Hungarian foodstuffs

Agri-food industry is an immensely diverse and colourful sector in Hungary. The specific ecological conditions in Hungary enable the cultivation of special high quality agricultural products. Only safe and high quality products with added value can meet the high international quality standards. The natural and social values of the traditional region-specific products have great market potential; the optimal exploitation of this potential, however, requires the enhancement of the competitiveness of these products as well as the intensification of the marketing activities that help the products enter the market and preserve their positions there. The Hungarian consumers' high price sensitivity coupled with a high demand for low-cost products and services indicates the significance of pricing in Hungary. Pricing is crucial in raising interest and winning new customers. Prices might reflect product quality, brand strength and recognition, just like product differentiation or the image of a product or its producer.

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